

FY05-06 Closing and
FY06-07 Opening Training

Presented by
The Colorado Fiscal Managers'
Association and the State
Controller's Office



April 4, 2006



Presenters

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Agenda – General Session

- Hackett Group - Benchmarking
- Opening Comments
- Calendar Highlights – Closing and Opening
- FY05-06 Closing Changes
- IT Chart of Accounts
- Fiscal Rules
- Questions

Agenda – Afternoon Optional Session

- AP Documents (budgetary accounting)
- COFRS Grant Module
- Paydate Shift
- Capital Construction


Certificate of Achievement for Excellence in Financial Reporting

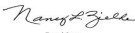
Presented to

State of Colorado


For its Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.






President



Executive Director


The Hackett Group

Benchmarking



Opening Comments


- Fiscal Procedures Manual
 - Website
 - http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/FY06-07/manual06_07.htm
- Audit Risk Letter
- Highlights
- Agency Planning Checklist



FY05-06 Calendar Highlights

CLOSING


- July 14
- August 2
- August 16
- September 1
- Audit Completion



FY05-06 Calendar Highlights

CLOSING

- July 14
- August 2
- August 16
- September 1
- Audit Completion



- Final Close of period 12.
- Last day for PV, IT, CR, encumbrance transactions. (See table Chapter 1, Section 3)

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- July 14
- August 2 ←
- August 16
- September 1
- Audit Completion

- Period 13 closes for agency input.
- This is it.
- No more entries.

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- July 14
- August 2
- August 16
- September 1
- Audit Completion

- Agency exhibits (except I, J & K) due to SCO.
(Chapter 3, Section 5)



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- July 14
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- Audit Completion


- Exhibits I & J due to the SCO. (Chapter 3, Section 5)



FY05-06 Calendar Highlights

- July 14
- August 2
- August 16
- September 1
- Audit Completion


- Submit copy of Management Representation Letter to SCO.



FY05-06 Calendar Highlights

CLOSING


- Transfers and Overexpenditures
 - July 25 Due date
 - July 28 Approvals scheduled
 - August 7 Overexpenditure signatures due



FY05-06 Calendar Highlights

OPENING

- June 19
- July 14
- August 21



FY05-06 Calendar Highlights

OPENING

– June 19

– July 14

– August 21

• Deadlines for agency's level 3 approval on AP transactions needed to record the FY05-06 Long Bill.

FY05-06 Calendar Highlights

OPENING

– June 19

– July 14

– August 21

• Rollover of purchase documents from FY05-06 to FY06-07. Coding for EPS transactions must be correct, EAP transactions must be agency approved from SUSF. (Chapter 1 Section 4)

FY05-06 Calendar Highlights


OPENING

– June 19

– July 14

– August 21

• COFRS goes on "full appropriation control".



Calendar Review

- Closing
 - July 14
 - August 2
 - August 16
- Opening
 - June 19
 - July 14
 - August 21

FY05-06 Closing Changes

- Statewide Security Policy
- Changes presented by Reporting and Analysis

Statewide Security Policy

- POLICY
 - The Statewide Financial System: COFRS, Document Direct, Financial Data Warehouse, Colorado Personnel and Payroll System, and HR Data Warehouse

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- User must sign compliance statement
- Limited to job need
- Individual user IDs
 - password protected
 - New IDs consistent between TOP SECRET, COFRS, Document Direct & Financial Data Warehouse

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- Limited to Controllers
 - Must comply with delegation agreement
 - Must receive delegation training
 - Input function may be assigned to staff, but Controller retains responsibility for profiles
 - Only one profile may have data entry capability per agency – either the delegated controller or the person to whom he/she assigns data entry ability
- FAST acts as security administrator for agencies who do not have a delegate

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- Users must attend training before access granted

Information Requests

- Processed according to statewide procedures for handling open records requests

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– Nonstandard Profiles

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- | Age Group | Percentage |
|-----------|------------|
| 18-24 | ~35% |
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| 35-44 | ~15% |
| 45-54 | ~10% |
| 55-64 | ~8% |
| 65-74 | ~5% |
| 75-84 | ~3% |
| 85+ | ~2% |

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- High Risk:

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– SCO

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– <http://www.colorado.gov/dpa/dfp/sco>

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Chapter 3 Section 3

- Termination Benefits – GASB 47 (page 106)
 - Only amounts due and payable at June 30 are govt'l fund liabilities
 - Proprietary funds and GFAAG (471) must accrue as follows:
 - Present value of projected benefits
 - Discount using rate of the related investment return
 - Include a healthcare inflation assumption in projection
 - Section added to Exhibit U2 for related Note disclosures

Chapter 3 Section 3

- Termination Benefits – GASB 47 (page 106)
 - If separation is voluntary – accrue when accepted and measurable
 - If separation is forced – accrue when:
 - Plan is adopted by authority
 - Communicated to employees, and
 - Measurable

Chapter 3 Section 4

- Suggested PERA footnote disclosures (page 110)
 - Contribution rate changes for AED
 - Segregation of State and School Divisions
 - Defined Contribution option for new hires after 1-1-06
 - Irrevocable opt back into Defined Benefit plan

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Chapter 3 Section 4

- Financial Statement rollup tables
(beginning page 112)
 - Insurance Recoveries
 - Other Financing Source for Govt'l Funds
 - Nonoperating Revenue for Proprietary Funds only if realizable in years after impairment is recognized

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Changes to Exhibits-Summary

- Exhibit A2 – HE Enterprise Status
- Exhibit J/Fin Stmts – due date extended
- Exhibit N1, N2

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Changes to Exhibits-Summary

- Exhibit O – Statewide Internet Portal Authority
- Exhibit U1/U2 – Other Disclosures
- Intra/Interfund Confirm Form

Changes to Exhibits

- General Instructions:
 - Use Exhibit Reconciling Balances Report
 - Preparing your exhibits
 - Reclassifying balances from noncurrent to current (after Period 12 close)
 - Exhibit Reconciling Balances Report will include total investments by FCAT

Exhibit A2 – TABOR (page 134)

- A2 applies at qualification or disqualification
- New Section C - District boundary crossing expenses (when enterprise first qualifies)
 - Objective is comparability between current nonexempt revenues and the base.

Exhibit A2 – TABOR (page 134)

- New Section C - District boundary crossing expenses (when enterprise first qualifies)
 - Two adjustments required to the base
 - Reduce base by prior year nonexempt revenues of the qualified enterprise
 - Increase base by prior year intradistrict transactions that would have crossed the district boundary if the activity had been a qualified enterprise in the prior year

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Exhibit A2 – TABOR (page 134)

- Section D – Fund Balance adjustments
 - HE institutions should report net assets of all funds except 320-325 and 399
 - SCO will provide a report of FY04-05 nonexempt revenue (Section B) and FY04-05 District Fund Balance (Section D) for each Institution as reported in the TABOR SOC's
 - Institutions should verify the amounts in the SCO report, complete Section C (district boundary crossing transactions and submit to SCO

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Exhibit C – Change in LT Liab. (page 138)

- Long Term Claims & Judgments belong in 2870 not 2990
 - Several postclosing adjustments in FY04-05 related to this misclassification
 - Please review your 2990 and reclassify to 2870 if those balances are claims or judgments

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Exhibit D1/D2 – Debt Service (page 140)

- The following year's amortization of prem/disc and gain/loss on refunding is not a current liability
- Do not accrue this amortization

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Exhibit H – Postclosing Adjmts

(page 152)

- Colorado does not do comparative financial statements
- All adjustment to prior years must affect beginning fund balance (and be material for disclosure)
- Do not submit Exhibits H to adjust operating statement accounts of prior years

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Exh J – F/S Reconciliation (page 158)

- Purpose – Compliance with:
 - CRS 24-30-201(1)(d) and
 - Fiscal Rule 8-1 which requires the State Controller to approve all financial statements before publication
- FAST representative will issue a written document notifying you of approval to publish

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Exh J – F/S Reconciliation (page 158)

- State Controller reapproved a single due date – September 1
- Submit Exhibit I with Exhibit J
- Individually list and cross reference Adjusting, Reclass, and Presentation Entries (do not aggregate or offset)

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Exh J – F/S Reconciliation (page 158)

- Post at will until September 1
 - No materiality threshold
 - Submit Exhibit H if applicable
 - Adjusting entries below Exhibit H threshold require multiyear presentation on the Exhibit J

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Exh J – F/S Reconciliation (page 158)

- After September 1:
 - All changes are audit adjustments requiring SCO approval and Exhibit H
 - Exhibit J revision only at FAST rep's request

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Exh N1– Custodial Credit Risk (page 184)

- Additional Items subject to Custodial Credit Risk
 - Repurchase Agreements where the fair value is in excess of underlying securities
 - Closed end mutual funds
 - Unit investment trusts

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Exh. N2 – Credit Quality Risk

(page 188)

- Do not “look through” a mutual fund
 - Report the mutual fund rating not the rating of the underlying securities
 - Report as unrated if the mutual fund itself is not rated
- Repurchase Agreements – report based on underlying
 - Federal securities with explicit guarantees are not subject to credit quality risk

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Exh U1/U2– Other Disclosures

(page 204)

- Exhibit U split into U1 and U2
- New Sections on U2
 - Section B – Replaces annual polling of agencies for potential GASB 39 component units
 - Section C – Asset impairment – report amount, description, and carrying value if idle

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Exh U1/U2– Other Disclosures

(page 208)

- New Sections on U2
 - Section D – Termination Benefits –
 - Description
 - Number of employees affected
 - Time period for benefits payout
 - Cost of benefits accrued
 - Change in Actuarial Accrued Liability
 - Assumptions used in estimate – cost inflation, discount rate, etc

Rec/Payable Confirmations (page 218)

- Form Change – Portrait format only
- Process Changes
 - Only Seller will initiate confirmation forms except – University of Colorado
 - Agencies buying from CU must initiate form, complete all buyer fields, and send to CU

Rec/Payable Confirmations (page 218)

- Process Changes (cont'd)
 - CU will complete form, return to buyer, and submit to SCO
 - Other parts of the process are unchanged
 - seller initiates and submits completed form to SCO

TABOR - Referendum C

- Major provisions:
 - Five year time out on refunds
 - Highest FY Spending in the five years becomes the base at July 1, 2010
 - Created General Fund Exempt Account

General Fund Exempt Acct

- Impact:
 - \$805 million of GFE appropriations
 - Historical definition of GFE:
 - Spending out of General Fund fund Balance
 - Overexpenditures in Fund 100
 - New definition:
 - Fiscal Year Spending exempt from TABOR refund (Ref C appropriations)
 - Exempt moneys receive by and spent in the GF
 - General Funded Expenditures exempt from 6% limit

General Fund Exempt Acct

- Problem Statement:
 - Budgetary control is based on allocation of expenditures to funding sources with General Fund Exempt as the default for overexpenditures in Fund 100 and 461
 - \$805 million of budgeted as GFE cannot be reported as overexpended

General Fund Exempt Acct

- Proposed Solution (Not final):
 - Create 1EX fund
 - Treat 1EX similar to fund 100 and 461 in budget diagnostic allocation process
 - Allow agencies to record expenditures in Fund 100 and reclassify to 1EX prior to close at the object code level
 - Recombine Funds 100 and 1EX for financial reporting.

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Chap 5 Sec 5 TABOR (page 279)

- No time out on TABOR accounting and reporting
 - Classification as exempt and nonexempt remains critical
 - Calculation of base and refund remains essential

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Chap 5 Sec 5 TABOR (page 279)

- Higher Ed is now a fully qualified TABOR enterprise except for:
 - GAA, GBA, GCA, GMA, GPA
- All revenue received from Higher Ed is original source revenue of the district
 - Record as nonexempt

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Chap 5 Sec 5 TABOR (page 279)

- If a Higher Ed institution becomes disqualified:
 - Revenue received from the nonenterprise portion of that institution (funds other than the old funds 320-325) must be reclassified as exempt.
 - SCO will notify all agencies by email if any HE disqualifies

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GASB 42 – Impairment (page 306)

- GASB 42 – Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries
 - Required in FY05-06
 - Watch for impairment throughout year
 - Write down to service utility or fair value
 - Write down is permanent

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GASB 42 – Impairment (page 306)

- Impairment – Significant unexpected decline in service utility
- Two step process:
 - Identify potential impairment
 - Test for actual impairment

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GASB 42 – Impairment (page 306)

- Indicators of potential Impairment:
 - Physical damage – fire, flood, wind, etc.
 - New law/regulation – water treatment plant
 - Obsolescence – technology changes
 - Manner or Duration of Use – premature school closure
 - Construction Stoppage – lack of funding

GASB 42 – Impairment (page 306)

- Tests for impairment:
 - Assess whether decline is unexpected
 - Measure magnitude of service utility decline

GASB 42 – Impairment (page 306)

- Treatment of impairment varies:
 - Discontinued use of asset => report at lower of book or fair value
 - Continued use of asset => Measure magnitude of service utility decline and write down asset by that amount
 - See examples in a GASB 42 Appendix C (Restoration Cost, Service Unit Decline, Deflated Depreciated Replacement Cost)

GASB 42 – Impairment (page 208)

- Disclosures
 - Exhibit U2 Section C (if significant, not normal insurance recoveries)
 - Classify impairment as Special or Extraordinary if applicable Exhibit U1 Section A & B
 - Report carrying value of idle impaired assets

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- Governmental Funds:

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- Proprietary Funds:

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- Government-wide and Proprietary when Insurance Recovery is next FY

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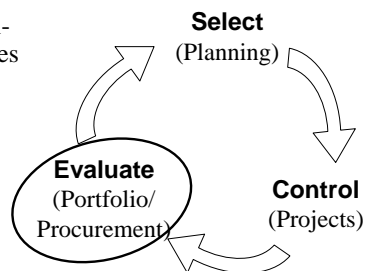
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IT Expenditure: Any purchase or disbursement or payment of money, by one or more state agency, for communications and information resources and/or technologies – regardless of funding source (e.g., federal funds, grant, state appropriation) or acquisition mechanism (e.g., agreement, contract, purchase order). An expenditure is made when the actual spending occurs or when there is a contractual agreement requiring such spending and the amount is determined.

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Good decision-making requires facts and data.

“You can’t
manage what
you can’t
measure.”



IT

Chart of Account Review

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				

IT

Chart of Account Review

hardware

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				

IT

Chart of Account Review

hardware

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
			Supplies	
			Maintenance	
PCs				
Servers				
Other				
Network				

IT

Chart of Account Review

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				

IT

Chart of Account Review

software

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
			Maintenance	
PCs				
Servers				
Network				

IT

Chart of Account Review

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				

IT

services

Chart of Account Review

Capitalized		Non-capitalized	
Purchase	Lease	Purchase	Lease
PerSvcs-Hw		PerSvcs-Hw	
PerSvcs-Sw		PerSvcs-Sw	
		ComSvcs-In	
		ComSvcs-Out	
		MNT pmts	
		GGCC bills	
		ADP bills	

IT

Chart of Account Review

	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware	1. supplies			
	2. maintenance			
	3. product: PCs, servers, network, other			
Software	1. maintenance			
	2. product: PCs, servers, network			
Services	1. personal services (HW & SW),			
	2. communication services (in & out),			
	3. (other) billings (in & out)			

IT

Chart of Account Review

Communication Strategy

☒ Accounting staff (SCO)

☐ Budget staff (OSPB)

☒ IT staff (CIOF)

☐ Purchasing staff (SPO)

Questions?...itprocurement@state.co.us

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- Fiscal Rule 1-9

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